

E-015/M-92-1190 ORDER ACCEPTING JOINT PETITION AND CANCELING RATE  
INVESTIGATION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
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Norma McKanna

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Joint  
Petition of Minnesota Power, the  
Office of Attorney General, the  
Department of Public Service,  
the Taconite Intervenor, and  
Blandin Paper Company, and  
Potlatch Corporation for  
Approval of an Agreement  
Deferring Rate Filings

ISSUE DATE: November 24, 1992

DOCKET NO. E-015/M-92-1190

ORDER ACCEPTING JOINT PETITION  
AND CANCELING RATE INVESTIGATION

**PROCEDURAL HISTORY**

**I. Proceedings to Date in the Rate Investigation**

On August 24, 1990, the Commission issued two Orders in Docket No. E-015/PA-90-153, In the Matter of the Petition of Minnesota Power to Sell a Twenty Percent Ownership Share in the Boswell Generating Unit No. 4 facilities to the Wisconsin Public Power Incorporated System. The first decision gave Minnesota Power and Light Company (Minnesota Power or the Company) the authority to transfer 20 percent of its ownership in the Boswell Steam Electric Generating Station Unit No. 4 (Boswell 4) to Wisconsin Public Power, Inc. System (WPPI). The second Order stemmed from the fact that the Company's revenue needs might eventually be reduced because of cost savings from the partial transfer of Boswell 4. In the second Order the Commission required two separate investigations of Minnesota Power's rates, both of which would be pursued in the docket herein.

On April 13, 1992, the Commission issued its ORDER ACCEPTING SETTLEMENT AND CLOSING DOCKET. In that Order the Commission accepted a Joint Petition and Settlement submitted by Minnesota Power, the Residential Utilities Division of the Office of Attorney General (RUD-OAG), the Department of Public Service (the Department), and several large customers of Minnesota Power, the Taconite Intervenor<sup>1</sup>, Blandin Paper Company and Potlatch

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<sup>1</sup> Hibbing Taconite Joint Venture, Inland Steel Mining Company, National Steel Corporation, Eveleth Taconite Company, Eveleth Expansion Company, and USX Corporation.

Corporation. The Commission closed the first rate investigation and stated that Minnesota Power would be allowed to cancel the second rate investigation if the Company filed its next general rate case by December 31, 1992.

On October 9, 1992, Minnesota Power filed a Joint Petition for Approval of an Agreement Deferring Rate Filings (the Joint Agreement) on behalf of the Company, the Department, the RUD-OAG, the Taconite Intervenor, Blandin Paper Company, and Potlatch Corporation. Among other things, the parties agreed that Minnesota Power will not file a general rate case with an effective date for interim rates prior to July 1, 1993, and that the second rate investigation should be canceled, upon approval of the Commission.

On October 12, 1992, the Commission issued a Notice Soliciting Comments regarding the proposed Joint Agreement. No comments were filed regarding the Joint Agreement.

## **II. Proceedings to Date Regarding the Armco Litigation Award**

In July, 1986, Reserve Mining Company (Reserve), a major customer of Minnesota Power, shut down its operations due to bankruptcy. At the time of the shutdown, Reserve was obligated to take power from Minnesota Power for five more years under an existing electric service agreement.

In August, 1986, Minnesota Power filed suit in federal district court against Armco, Inc., Reserve's parent company, seeking recovery of the amount owing under the electric service agreement. Minnesota Power eventually won an award of approximately \$21.9 million from Armco, Inc.

In its April 13, 1992 ORDER ACCEPTING SETTLEMENT AND CLOSING DOCKET, the Commission accepted the allocation of the Company's litigation award agreed to by the parties. The parties agreed that a \$6.5 million ratepayer refund would take place at the same time any interim rate refund was made in Minnesota Power's next general rate case, or by January 1, 1994, if no rate case is filed prior to that date. In the October, 1992 Joint Agreement, the terms and conditions of the refund agreement, including rate design and the interest rate to be applied to the refund balance, remained unchanged.

The October, 1992 Joint Agreement came before the Commission for consideration on November 12, 1992.

## **FINDINGS AND CONCLUSIONS**

### **III. Terms of the Joint Agreement**

#### Delay in Rate Case Filing

In the October, 1992 Joint Agreement, the parties agreed that Minnesota Power will not file a general rate case with an effective date for interim rates prior to July 1, 1993. The parties also agreed that the second rate investigation, scheduled for September, 1992, would be canceled. The parties did not reach any agreement regarding the future necessity for an increase or a decrease in rates.

In their Joint Agreement, the parties stated that the main reason for delaying the filing of a rate case is the uncertain status of National Steel Corporation (National), one of Minnesota Power's Large Power customers. National has publicly stated that it may close its Minnesota operations. The parties to the Joint Agreement noted that Minnesota Power may be faced with a significant revenue deficiency if it loses National as a customer. The parties agreed that delaying a rate case filing will give all parties a chance to assess the situation regarding National. Moving the rate case beyond 1992 might also preclude the necessity of the Company's filing a second rate case almost immediately, should National cease operations in the near future.

#### The Armco Litigation Award

The Joint Agreement now before the Commission does not change the amount of the ratepayer refund approved by the Commission in its April, 1992 ORDER ACCEPTING SETTLEMENT AND CLOSING DOCKET. The terms and conditions of the refund process remain those previously agreed to by the parties and approved by the Commission in its April 13, 1992 ORDER ACCEPTING SETTLEMENT AND CLOSING DOCKET.

#### Review of the Company's Financial Data

The parties to the October, 1992 Joint Agreement reviewed Minnesota Power's financial data that was intended to reflect a proposed 1993 test year. Based on this information and data from the 1991 rate investigation, the parties agreed to the terms of the Joint Agreement, which defers a rate case filing by Minnesota Power.

### **IV. Commission Analysis**

The parties to the Joint Agreement examined the financial data that Minnesota Power would propose in a 1992 rate case and were satisfied that Minnesota Power's rates are not excessive. The petitioning parties, who are representative of all Minnesota Power customer groups, believed that it is in the public interest to defer the filing of the Company's general rate case. The

Commission finds that the parties' review and recommendation, while less thorough than a general rate case proceeding, indicate that the terms of the Joint Agreement are fair and reasonable.

The Commission notes that it would be difficult to go through a general rate case proceeding at this time, before the fate of National Steel has been determined. Because National is such a large customer of Minnesota Power, the present uncertainty over its operating status would make rate case participation and analysis difficult for all parties.

The Commission also notes that deferring a general rate case, and thus delaying the distribution of the Armco litigation award to ratepayers, will not ultimately harm ratepayers. Since the agreed upon interest on the refund balance is set at a level above the current prime rate, ratepayers will be fairly compensated for the delay.

For these reasons, the Commission finds that the terms and conditions of the October, 1992 Joint Agreement are fair and reasonable. The Commission will accept the parties' Joint Petition for Approval of an Agreement Deferring Rate Filing. As a consequence of the Commission's acceptance of the Joint Agreement, the second rate investigation scheduled for September, 1992, is canceled, and Minnesota Power is not required to file a general rate case by December 31, 1992.

#### ORDER

1. The Joint Petition for Approval of an Agreement Deferring Rate Filing dated October 9, 1992, is accepted.
2. The rate investigation scheduled for September, 1992, is canceled.
- 3 This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

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